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## Social Trends in the Third Reich

BY JOHN C. deWILDE

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# Social Trends in the Third Reich

BY JOHN C. deWILDE

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NEW social and economic experiments in any country are always likely to provoke critical analysis abroad. Persons hostile to the philosophy inspiring such experiments seek to prove them a failure in practice, while others examine them more impartially with the hope of finding elements that might be more universally applicable. German National Socialism has not escaped this critical appraisal. On the whole, the judgment abroad has been unfavorable. Most critics have arrived at the conclusion that the social and economic conditions of the German people have deteriorated rather than improved under the Hitler régime. The more radical observers have also been confirmed in their belief that fascism in Germany, as elsewhere, has sacrificed the welfare of the working class to that of property-owners.

These conclusions or criticisms have been indignantly rejected by spokesmen for the Third Reich. To be sure, National Socialists refuse to measure the success of their régime solely by material criteria. They believe in the "primacy of politics" and scornfully reject the "materialism" of Marxism. Their principal aim has been to win "political freedom" for the German people through rearmament and abolition of the restrictions of the Versailles Treaty; and they have not hesitated to demand material sacrifices to achieve this object. A secondary goal has been the re-employment of millions of unemployed, who were to be restored to the "dignity of work" even if this involved limitation of wages. Protagonists of the régime do not deny that the German people have had to make sacrifices, but claim that these have not been incompatible with a steady improvement of living standards.<sup>1</sup> Nor are they prepared to admit that

the government has favored certain economic classes. According to their philosophy the National Socialist state stands above classes, whose interests it reconciles and subordinates to the broader and superior interests of the entire German nation. They decline to accept the inevitability of "class struggle." Their "socialism" means that all classes and all individuals alike must serve the state and its program as determined by the Fuehrer.

## INCREASED NATIONAL INCOME

According to official statistics, the money income of the German people rose sharply from the low level of 45.2 billion marks reached in 1932 to about 61.5 billion in 1936. While some critics are inclined to believe that the increase was really much less than the indicated 36 per cent, there can be little doubt that the re-employment of several million workers and the restoration of production to 1929 volume must have given the Germans as a whole a much larger income than in 1932. The real question, however, is whether the people can now buy more with their money than before.

### OFFICIAL GERMAN ESTIMATES OF NATIONAL INCOME\* (in millions of marks)

Year	Actual money income	Income in purchasing power of 1928.
1913	45,693	69,362
1929	75,949	74,812
1932	45,175	56,824
1933	46,495	59,762
1934	52,553	65,856
1935	57,273	70,620
1936	61,500	c. 74,000

\**Wirtschaft und Statistik*, 2nd September Number, 1936, and Reichskredit Gesellschaft, *Germany's Economic Situation at the Turn of 1936-37*, p. 36.

If official figures are to be credited, real income,

1. Cf. "Upswing without Prosperity?" *Supplement to the Weekly Report of the German Institute for Business Research*, February 24, 1937.

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expressed in terms of 1928 purchasing power, has lagged but little behind the recovery in money income and is now almost the same as in 1929. In the four years since January 1933 wholesale prices are supposed to have risen only 15.7 per cent, and the cost of living but 6.2 per cent. The government prides itself on having confined the increase within modest bounds. While permitting and even fostering a recovery in farm prices, it has sought to keep all other prices as stable as possible. Reich officials realized that any sharp advance in the cost of living would necessitate the payment of higher wages, which in turn would raise the cost of rearmament and increase the disparity between German and foreign prices to the detriment of German exports. Since the beginning of the Na-

tional Socialist régime, state control over prices has steadily grown. In November 1934 the chief burgo-master of Leipzig, Dr. Goerdeler, was entrusted with the direction of a special commissariat whose principal function was to repress all "unjustifiable" price increases. Although his appointment was allowed to expire on July 1, 1935, the Ministers of Economics and Agriculture continued to exercise broad price-fixing powers. The need for greater coordination of policy led finally, on October 29, 1936, to the appointment of another Price Commissioner with even more sweeping authority.<sup>2</sup> On November 26 Joseph Wagner, the new Commissioner, issued a comprehensive decree forbidding further advances in the prices of all goods and services without his consent.<sup>3</sup>

DEVELOPMENT OF WHOLESALE PRICES AND THE COST OF LIVING\*  
(monthly average)

		Jan.					Percentage Increase
		1932	1933	1933	1934	1935	Jan. 1933 to Jan. '37
Wholesale prices: total	96.5	91.0	93.3	98.4	101.8	104.1	15.7
Agricultural commodities	91.3	80.9	86.8	95.9	102.2	104.9	27.5
Industrial raw materials and semi-manufactures	88.7	87.3	88.4	91.3	91.6	94.0	10.9
Industrial finished goods	117.9	113.0	112.8	115.8	119.4	121.1	9.0
Cost of living: total	120.6	117.2	118.0	121.1	123.0	124.5	6.2
Food	115.5	.....	113.3	118.3	120.4	122.4	.....
Clothing	112.2	.....	106.7	111.2	117.8	120.3	.....
Housing	121.4	.....	121.3	121.3	121.2	121.3	.....
Heat and light	127.3	.....	126.8	126.6	126.2	126.0	.....
Miscellaneous	146.8	.....	141.0	140.0	140.6	141.4	.....

\*Compiled from weekly and quarterly reports of the German Institute for Business Research.

Although prices would have risen more rapidly if left uncontrolled, they actually increased much more than the official statistics indicate. The latter do not take into account the fact that the quality of many products has deteriorated as a result of shifts in the source of supply of imported goods and the employment of inferior domestic substitutes.<sup>4</sup> Apparently they also disregard the many evasions of official price regulations which are accomplished by lowering discounts, making additional charges for delivery and other services; depreciating the quality of goods and by other methods. Despite official denials, most competent foreign observers conclude that the cost of living has risen at least 20 to 25 per cent over the last four years. If this is true, it would mean that real income has advanced only from 9 to 13 per cent since 1932. Even this estimate takes no account of the fact that the quantity of goods available for purchase has in many cases been limited. Drastic

reductions in imports have created recurring shortages, particularly of certain foodstuffs such as eggs, butter and meat.

#### HEAVIER TAXATION

A more reliable method of gauging living standards is to analyze how the German people have spent their incomes. First of all, a growing proportion has been absorbed by taxes. Rates have generally been maintained at the high crisis levels prevailing in 1932. Some have been reduced or abolished, either to stimulate re-employment or to relieve agriculture, but others have been increased or added. Taxes and customs took 25 per cent of the national income in 1936, as compared with 22.6 per cent in 1932 and only 17.6 in 1929.<sup>5</sup> More-

hardships. The decree provided for other exceptions subsequently made for imported products, meat and sausage and certain other goods and services, all of which remained subject to previous price regulations.

2. For the decree creating this office, cf. *Reichsgesetzblatt*, Part I, 1936, p. 927.

3. *Ibid.*, p. 955. The Commissioner may permit price increases justifiable on economic grounds or necessary to avoid undue

4. Cf. John C. deWilde, "The German Economic Dilemma," *Foreign Policy Reports*, March 15, 1937.

5. "Die Anstiegs-Finanzierung," *Frankfurter Zeitung*, December 25, 1936.

over, the amount paid in so-called "voluntary" contributions and semi-official taxes has increased substantially. Every year the German people pay some 325 million marks in money and kind into the Winter Relief Fund which provides food, clothing and other necessities for the poor. Although such contributions are in theory voluntary, the campaign for funds is so intensive and comprehensive that practically all Germans feel the necessity of contributing according to their incomes. In many cases direct levies are made on salaries and wages. The National Socialist Welfare Organization conducts numerous other collections from which many find it difficult to escape. Such Nazi associations as the Organization for Air Defense (*Luftschutzbund*) also stage frequent drives for funds. Nazi party organizations are partly sustained by the so-called *Adolf-Hitler-Spende der deutschen Wirtschaft*, to which German industry and commerce must contribute each year. In addition, membership in various corporate bodies created by the Hitler government entails considerable expense. The Agricultural Estate, to which all producers, processors and handlers of food products must belong, exacts about 150 million marks annually from its members. The Organization for Industry and Trade (*Organisation der Gewerblichen Wirtschaft*), in which membership is also compulsory, collects about 200 million in fees, and in the last two years has imposed on its members an extra export subsidy levy amounting to more than 750 million marks annually. The Reich Chamber of Culture comprising all persons and enterprises connected with the press, radio, art and other means of disseminating culture and propaganda assesses membership dues of 30 million a year. The Labor Front to which all workers and employers must in practice belong has an annual budget of approximately 400 million marks raised from membership contributions. Altogether the German people are probably spending over two billion marks in such contributions and dues. Not all of this represents new expenditure, for even under the Weimar Republic large sums were spent for charity or for membership in labor unions, trade organizations and professional associations. Under the Nazi régime, however, both the number and the rate of collections and contributions has grown rapidly and their claims on the pocketbooks of the German people have become correspondingly more burdensome.

#### LIMITED RECOVERY OF CONSUMPTION

The part of private income not absorbed by taxes and contributions has gone to the purchase

of goods and services and to savings. That the consumption of goods has increased is evident from the rise in retail sales from a total of 22.7 billion marks in 1932 to 27.8 billion in 1936.<sup>6</sup> If consumption has not expanded as rapidly as income, this is primarily because the people have not been free to spend their incomes as they wished. The absorption of a large part of German industry in the rearmament campaign, the regimentation of foreign trade and in particular the drastic reductions in imports of food and finished goods have cut into the available supply of consumers' goods. The supply of some has actually been lower than in 1932, while that of others has not increased sufficiently to keep pace with the growing demand. Official statistics tend to show that the per capita consumption of foodstuffs has expanded slightly since 1932.<sup>7</sup> As the accompanying table reveals, consumption of foodstuffs produced at home or obtainable abroad through barter and clearing has increased. In 1936 more bread flour, sugar, milk, cheese and fish were consumed per capita than in 1932. Despite recurring shortages, consumption of meat was 4.7 per cent greater. Potatoes continue to be a larger item in the German diet than in pre-depression years. On the other hand, there has been a decline in the consumption of certain high-quality foodstuffs—fats, eggs and fruit—for which the Reich is largely dependent on foreign countries. That this decline was due to a restriction of supply rather than a lack of purchasing power appears from the consumption of beer, wine, coffee and tobacco, which rose respectively 21.5, 97.3, 25 and 18.7 per cent above 1932 levels.

The consumption of other goods would appear to have increased. In the first nine months of 1936 retail sales of clothing averaged 13 per cent higher than in 1932, but even according to the official index half of this gain was nullified by a rise in prices. Since the need for uniforms of all sorts contributed greatly to the demand, it is probable that civilian consumption of clothing actually declined. Moreover, textiles have generally deteriorated in quality owing to the admixture of shoddy and artificial fibres. On the other hand, an expansion of 34 per cent in the retail sale of furniture undoubtedly reflected a genuine revival in demand attributable to an increase in marriages fostered by the so-called marriage loans. That the German people have on the whole had more money to spend is indicated by the consumption of certain

6. *Weekly Report of the German Institute for Business Research*, February 24, 1937.

7. According to *The Weekly Report of the German Institute for Business Research* for February 10, 1937, consumption in terms of calories has increased 3.5 per cent since 1932.

THE CONSUMPTION OF FOODSTUFFS IN GERMANY  
Kilograms per capita\*

Product	1929	1932	1933	1935	1936	Percentage of change 1932-1936
Bread flour	107.0	99.1	101.1	102.9	105.6	+ 6.5
Other grains and legumes	11.5	11.8	12.8	11.5	10.7	- 9.3
Potatoes	174.0	190.0	190.0	190.0	190.0	0.0
Sugar	23.4	20.2	19.9	21.9	22.8	+12.8
Fruit	41.8	32.1	33.7	27.8	30.2	- 5.6
Tropical fruits	6.3	6.5	7.0	6.5	7.1	+ 9.2
Vegetables	41.4	41.0	41.2	41.5	43.7	+ 6.6
Total fats	23.6	25.6	23.7	22.9	23.4	- 8.6
Edible oils	1.9	2.3	2.1	2.2	2.3	0.0
Vegetable fats	0.9	1.4	1.1	0.7	0.8	-42.9
Margarine	7.5	8.1	6.7	6.3	6.5	-19.8
Bacon, lard, tallow	6.3	6.7	6.4	6.1	6.1	- 9.0
Butter	7.0	7.1	7.4	7.6	7.7	+ 8.4
Milk	117.0	103.0	101.0	109.0	113.0	+ 9.7
Cheese	5.2	6.0	6.1	6.2	6.3	+ 5.0
Meat total (excluding fats)	48.0	44.9	45.1	48.6	47.0	+ 4.7
Fish	10.6	9.9	10.1	11.3	12.1	+22.2
Eggs	8.0	7.8	6.9	6.5	6.6	-15.4
Beer	90.0	51.0	52.0	60.0	62.0	+21.5
Brandy	1.4	0.6	0.8	1.0	1.0	+66.6
Wine	4.9	3.7	3.8	7.6	6.3	+97.3
Coffee	2.3	2.0	2.0	2.2	2.3	+25.0
Tobacco	2.0	1.6	1.7	1.8	1.9	+18.7

\*One kilogram=2.2 pounds.

luxuries. The number of radios owned in Germany rose from 4.31 million at the end of 1932 to 8.17 million at the close of 1936.<sup>8</sup> Stimulated by the drive to "motorize" the Reich and by tax exemptions on new automobiles, the licensing of passenger cars increased during the last four years from 41,118 to 213,248.<sup>9</sup> Greater prosperity seems reflected, too, by a 36 per cent increase in attendance at motion picture theatres and a 24 per cent rise in the number of trips taken on German Railways.<sup>10</sup>

Despite larger incomes Germany has continued to suffer from a housing shortage aggravated since 1932 by a considerable increase in marriages. At first the National Socialist government subsidized repairs and reconstruction of existing dwellings to the extent of about one billion marks, but this aid ceased as the resources were more and more absorbed by rearmament. The amount of private capital available for building was also limited by the armament needs of the government.<sup>11</sup> While

the construction of new houses increased steadily, it was not until 1936 that it equalled the annual growth in the number of households.<sup>12</sup> Under the new Four Year Plan relief of the continued housing shortage will again be subordinated to what the government considers more urgent tasks. Some concession has been made with respect to the building of cheap workers' cottages, for which the authorities made 36 million marks available in November 1936.<sup>13</sup>

During the last few years the German people have managed to increase their savings substantially. While deposits in savings banks declined in 1932, the total in accounts has since risen from 11.4 to 14.6 billion marks at the end of 1936. Improved ability to save was also shown by the increase in

12.

PRIVATE DWELLINGS IN GERMANY (in thousands)

Year	New	Gross Increase Reconstructed	Total	Net Increase
1929	316	23	339	318
1932	131	28	159	141
1933	133	69	202	178
1934	190	129	319	284
1935	213	51	264	241
1936	270	40	310	290

Cf. *Germany's Economic Situation at the Turn of 1936-37*, cited, p. 13.

13. *Ibid.*

8. *Ibid.*

9. *Ibid.*, February 24, 1937. The total number of passenger cars in Germany rose from 497,000 in 1932 to 961,000 in 1936. Cf. "Motorisierungsspielraum," *Völkischer Beobachter*, February 19, 1937.

10. "Upswing without Prosperity?" cited.

11. Cf. Reichskredit-Gesellschaft, *Germany's Economic Development during the first half of 1936*, p. 11.



receipts of life insurance premiums from 749 to 940 million.<sup>14</sup>

It seems clear that the German people as a whole have enjoyed larger incomes during the past few years, but that they have been able to use their money only to a limited extent for the improvement of living standards because consumption has been directed and limited by the government. An exponent of National Socialism has epitomized the situation in these words:

"For the people at large it will be easier in the course of time to get work and to earn a living. But for an indefinite time we cannot permit everyone to buy what he wants, in the quantity he believes he must have and in the quality to which he attaches especial importance . . . . Everybody may work and shall work. But he can only buy that which can be produced in the entire national economy by the most purposeful application of labor."<sup>15</sup>

#### LARGER INCOMES FOR FARMERS

Of all classes in Germany, the farmers have probably benefited most from the National Socialist régime. The Nazis consider the farmers the most desirable social and racial elements of the German people and thus entitled to special measures of relief. Agriculture has been entirely "emancipated" from the free market economy in such a way that peasants have been protected against disturbing oscillations in prices and assured more stable incomes. Through a comprehensive and continuously expanding system of marketing organizations the Reich Agricultural Estate keeps a close control over the supply of farm products and regulates prices paid to farmers, processors, dealers and retailers. By means of various *Reichsstellen* or Reich Offices the government also controls the volume of imports and confiscates for its own profit the difference between foreign and domestic prices so that the latter can be maintained irrespective of the amount of products coming in from abroad.<sup>16</sup> These measures have not only increased gross agricultural income by 37.5 per cent in the last four years, but have largely eliminated the disparity between the prices farmers pay and those at which they sell.<sup>17</sup>

14. *Weekly Report of the German Institute for Business Research*, February 10, 1937.

15. Nonnenbruch, "Die Wirtschaft 1937," *Völkischer Beobachter*, January 1, 1937.

16. For a description of this system, cf. Kurt Münch, *Wirtschaftliche Selbstverwaltung* (Hamburg, Hanseatische Verlagsanstalt, 1936), pp. 65-122; also "Das neue Gesicht der Nahrungsmittelmarktordnung," *Frankfurter Zeitung*, November 29, 1936.

17. The price index of agricultural commodities rose from 58.3 in 1932-1933 to 77.1 in 1935-1936, while the price index of

While farmers continue to receive much more money for their products than before, their expenses have not increased correspondingly. Through semi-compulsory conversion of mortgages and a 7½ per cent reduction in total indebtedness, the interest burden on German farmers, has been lowered from 850 million marks in 1932-1933 to 630 million in 1935-1936.<sup>18</sup> During the same period tax payments declined by 100 million marks.<sup>19</sup> Labor costs have risen only slightly, because wage rates have remained stable and farmers have been provided with cheap government-subsidized "land helpers" and occasional aid by the Labor Service. It is not surprising, therefore, that the net cash income of farmers has soared from 300 to 2300 million marks in the last four years.

#### FARM INCOME IN GERMANY<sup>20</sup>

(in billion marks)

	1932-33	1933-34	1934-35	1935-36
Gross receipts	6.4	7.4	8.3	8.8
Current expenses (excluding cash wages)	4.6	4.6	4.6	4.9
Wage payments	1.3	1.3	1.4	1.4
Debt repayments	0.2	0.2	0.3	0.2
Net cash income	0.3	1.3	2.0	2.3

Despite the rise in farm income, German peasants are not completely satisfied. While agricultural prices were deliberately raised during the first few years of the Nazi régime, government control is now being increasingly exercised in the interest of consumers. Price curbs prevent the German farmer from taking full advantage of the shortage of many food products. In addition, the government is putting ever greater limitations on the farmer's economic freedom. Requirements for deliveries of certain quantities of agricultural commodities have been extended and are more strictly enforced. Under a decree announced by General Goering on March 23, 1937, the state can even appoint a trustee to administer the affairs of a farmer who does not discharge his duty in connection with the new four-year program for greater self-sufficiency. The government can thus take complete control of the land, compel the owner to cease farming and rent the farm to another man.<sup>21</sup> In some respects, moreover, the government's agri-

machinery, fertilizers, feed and other things required in farming advanced only from 74.4 to 78.6. *Frankfurter Zeitung*, February 7, 1937.

18. *Germany's Economic Situation at the Turn of 1936-37*, cited, p. 28-29.

19. *Ibid.*

20. *Ibid.*, p. 29.

21. *New York Times*, March 24, 1937.

cultural program has failed. Since about 700,000 medium-sized German farms have been converted into so-called Hereditary Farms<sup>22</sup> which cannot be sold, divided, mortgaged or attached for debts, many farmers are experiencing great difficulty in obtaining credit. Agricultural indebtedness still stands at 11.1 billion marks; and efforts to reduce it drastically and thus free farmers from the "slavery of interest" have met with only limited success. Nor has any progress been made with the liquidation of large estates which the Nazis have often promised. In fact, government measures have made most of the big properties profitable once more. The reduction of feed and fodder imports on which many of the smaller dairy and livestock farms of Western Germany depend has also worked to the advantage of the large East German estates which produce their own feed.

The property-owning classes, aside from the farmers, have not all fared alike in the Third Reich. The income of independent entrepreneurs, craftsmen, dealers and merchants is estimated to have risen from 6 billion in 1932 to 7.4 billion in 1935. Last year it must have been still larger. Not all, however, shared in this increase. Retailers are generally worse off today than they were some years ago. The government's desire to keep down consumers' prices has led to a progressive narrowing of the margin between wholesale and retail prices which has scarcely been offset by an increase in turnover. According to one report, the yearly profits of many grocers amount to no more than 1000 to 1200 marks, which is considerably less than the earnings of most workers.<sup>23</sup>

#### CONSCRIPTION OF CAPITAL

It has been the boast of many Nazis that "unearned" income has risen much more slowly in the past four years than "earned" income. They proudly point out that private income from dividends, interest and rent have increased less than 500 million marks—from 3058 to 3530 million.<sup>24</sup>

It is true that the rights of capital have not been regarded as sacrosanct in the Third Reich. The government has not hesitated to reduce interest charges by methods savoring very much of compulsion. On September 22, 1933 it promulgated a law authorizing German communes which were placed in financial difficulties by maturing short-

term debt obligations to apply to a specially created *Umschuldungsverband* for conversion of such debts into long-term loans carrying 4 per cent interest. Although this involved in many cases a reduction of 3 per cent on their investment, creditors were practically forced to accept the conversion, since the only alternative was a five-year moratorium on interest and principal payments.<sup>25</sup> Under a law of January 24, 1935 Land Credit Institutions carried out a large-scale conversion operation involving some 8 billion marks of mortgage and municipal bonds carrying interest rates of 6 per cent or over. In theory investors could decline to accept the new 4½ per cent bonds, but in practice such a refusal was impossible because the old bonds ceased to be quoted on the stock exchange or to be eligible as Reichsbank collateral and were thus no longer negotiable. In February 1935 another semi-compulsory conversion was authorized for the bonds and inscribed debt of German states and communes, and for the 6 per cent inscribed debt of the Reich.<sup>26</sup>

While interest charges have been reduced, industrial profits have staged a considerable recovery. With wage rates kept stable and with ample plant capacity, industry has been able to profit substantially from the increase in turnover caused by the internal economic boom. Earnings might have been still larger without certain government restraints. Restrictions on price increases and additional taxation, particularly the export subsidy levy, have eaten into potential profits. According to estimates of the German Institute for Business Research, industrial earnings in 1935 totaled 1.9 billion marks, as compared with profits of 2.3 billion in 1929 and net losses of 2.5 billion in 1932. In purchasing power 1935 profits almost equalled the pre-depression level, and represented somewhat more than 3 per cent of total sales as against about 4 per cent in 1927 and 1928. The balance sheets of 1451 companies for 1935 revealed a return of 4.7 per cent on share capital and reserves aggregating 9.9 billion.<sup>27</sup> Although complete reports are lacking, 1936 apparently witnessed a further improvement in profits.<sup>28</sup>

25. Paul Hövel, *Grundfragen deutscher Wirtschaftspolitik* (Berlin, Julius Springer, 1935), pp. 40-41.

26. Cf. E. C. Donaldson Rawlins, *Economic Conditions in Germany to March 1936* (Great Britain, Department of Overseas Trade, His Majesty's Stationery Office, 1936), pp. 27-28.

27. Supplement to *Weekly Report of the German Institute for Business Research*, December 2, 1936. Another compilation including 3157 companies indicated a return of only 3.5 per cent. Cf. *Völkischer Beobachter*, January 30, 1937.

28. Balance sheets of 25 companies with a share capital of 672.6 million showed a profit of 41.6 million for 1935-1936, as against 34.1 million for the previous year. Cf. *Germany's Economic Situation at the Turn of 1936-37*, cited, p. 38.

22. Cf. Mildred S. Wertheimer, "Economic Structure of the Third Reich," *Foreign Policy Reports*, September 26, 1934, p. 189.

23. Cf. *Germany's Economic Situation at the Turn of 1936-37*, cited, p. 41.

24. "Feste und Erweiterte Kaufkraft—Arbeit oder Rente?" *Völkischer Beobachter*, October 25, 1936.

Prospects of increased earnings in the future do not appear very bright. During the period of recovery industry benefited from declining costs due to the increased utilization of idle plants. Now that industry is for the most part operating at capacity, costs are no longer falling and may increase as the extension of existing plants becomes necessary. Moreover, the costs of raw materials are rapidly rising while the government remains unwilling to permit compensating increases in the prices of industrial products. In August 1936 the Reich also raised the corporation tax by 50 per cent, half of the increase to become effective in the current year, the other half in 1937.<sup>29</sup> Signs are not wanting that more severe curbs on dividends may be forthcoming.<sup>30</sup>

Although profits have risen, investors in many respects have not been permitted to enjoy the full benefits of this recovery. Disbursements of dividends on shares quoted on the Berlin Stock Exchange increased from 289 million in 1932 to 476 million in 1936,<sup>31</sup> but a substantial part of earnings as well as capital resources in general has been conscripted by the government for its own purposes. Whenever the state has needed money for public works, rearmament or for new raw material producing plants it has not hesitated to "draft" capital. Under a law of December 4, 1934<sup>32</sup> companies are forbidden to pay dividends exceeding 6 per cent (in some cases 8 per cent), and are required to surrender any profits over this amount to the Golddiskontbank for investment in government bonds for a period of three years. The resources of savings banks and insurance companies have been largely mobilized for investment in government loans. Concerns working for the Reich have been "encouraged" to keep in their portfolios many of the short-term bills drawn in payment for government orders. In many cases the Reich has required the investment of capital in enterprises regarded as unprofitable, but as essential to the state. In 1934, for example, the government compelled the formation of a combine of brown coal producers and simply instructed them to take shares in a new company created for the manufacture of synthetic benzine.<sup>33</sup> Similarly, textile mills have been "requested" to invest in factories for the production of artificial "cell wool." It is anticipated that existing industries will have to

shoulder the burden of financing the many new plants which must be built to carry out the new Four Year Plan for greater economic self-sufficiency.<sup>34</sup> Even though a remunerative return has been promised in some cases, many industrialists fear that the government will not scruple to repudiate such undertakings whenever it proves expedient to abandon uneconomic investments of this kind.

While making free use of its power to conscript private capital, the Reich has shown no disposition to extend the field of government ownership. On the contrary, during 1936 it sold most of the share holdings in industries and banks which it had accumulated largely as the result of the depression. In March 1936 the government sold its shares in the *Deutsche Schiff- und Maschinenbau A.G.* and disposed of its 100-million-mark holdings in the *Vereinigte Stahlwerke*. Later in the year—September and October—it sold its majority holdings in the *Hamburg-Südamerika* shipping company and turned over to private banks shares in the *Commerz- und Privatbank* valued at 22 million marks.<sup>35</sup> These sales, however, did not represent a concession to the capitalist principle of private ownership. They were prompted by the need for funds and were facilitated by the government's conviction that it now commands ample means other than stock ownership to make industry and banking "responsible to the state."

#### LABOR AND NATIONAL SOCIALISM

At first glance it might appear that the working classes have been among the most favored elements in the Third Reich. In 1936 income from wages and salaries totaled 34.5 billion marks, as compared with only 26 billion four years before—an increase of 33 per cent.<sup>36</sup> This rise, however, is due not to an advance in individual wages and salaries, but to the re-employment of several million idle workers.

It has been the policy of the régime not to permit any general increase in the "depression" wage rates prevailing in 1932. The Reich Labor Trustees appointed by the government have seen to the enforcement of this policy, and the workers, deprived of the right to strike, have had no alternative but to accept it. The authorities have repeat-

29. *Reichsgesetzblatt*, Part I, 1936, p. 701.

30. Cf. *New York Herald Tribune*, March 15, 1937.

31. *Germany's Economic Situation at the Turn of 1936-37*, cited, p. 62.

32. *Reichsgesetzblatt*, Part I, 1934, p. 1222.

33. Cf. law of September 28, 1934 and executive decrees of October 23, 1934, *Reichsgesetzblatt*, Part I, 1934, pp. 803, 1068.

34. It is noteworthy that the great Krupp concern, in publishing its balance sheet for 1935-1936, set aside 3 million marks from a total profit of 14.1 million for the "fulfilment of tasks under the Four-Year Plan." Cf. *Völkischer Beobachter*, January 14, 1937.

35. *Weekly Report of the German Institute for Business Research*, December 2, 1936.

36. "Upswing without Prosperity?" cited.



edly explained that wage increases would make the cost of the rearmament program prohibitive and seriously handicap Germany's export trade by raising the prices of German goods. A decline in exports would in turn impair the Reich's ability to buy abroad the raw materials necessary to sustain internal recovery, complete rearmament and maintain employment. Hitler has characterized the granting of higher wages under present circumstances as futile. Speaking at the harvest festival in October 1936, he declared:

"Today I could give the workers 15 to 20 per cent more wages and tomorrow I would raise prices by 15 to 20 per cent, then wages in turn and then prices again; and after two months we would devalue the German mark and cheat the saving public, and then we would raise wages again and so forth. Do you believe that would make the German people happier?"<sup>37</sup>

National Socialists have been eager to prove that despite the general stability of wage rates the total earnings of many workmen have risen. With the recovery in production, average daily working hours increased from 6.9 in 1932 to 7.6 in 1936. Numerous employees are said to have advanced to higher wage and salary brackets. Some classes of skilled workers who have been particularly in demand are even reported to have received higher hourly wage rates. Premium payments for overtime work are also supposed to have swollen individual incomes. Proof of all this is seen in the statistics of the sickness insurance fund which reveal that the proportion of contributors who received weekly wages in excess of 36 marks increased by 57 per cent between the third quarter of 1933 and the same period of 1936. Moreover, it is pointed out that owing to re-employment the number of breadwinners per family rose 13 per cent in the past four years of the Hitler régime, thus enhancing family incomes.<sup>38</sup>

This evidence pointing to an increase in individual wages and salaries is not borne out, however, by a study of the relation of total labor income to the number of persons employed. First of all it must be remembered that the decline in unemployment assistance must be deducted from the official figures on labor income. If the net total is

then divided by the number of persons gainfully employed, the result indicates a decline in average individual incomes from 2077 marks in 1932 to 1928 marks in 1934. The last few years have witnessed a slight recovery, but in 1936 the average income was still 3.7 per cent less than in 1932. Because the cost of living has meanwhile increased, the decline in real income since 1932 must have been even more severe. The drop in average earnings was probably due largely to the fact that the millions who have again found employment have been paid relatively low wages and salaries. The lower income groups—unskilled laborers and the least efficient employees—probably suffered more from unemployment during the depression than those with higher incomes; and their reintegration in the production process has probably tended to depress average incomes. Nevertheless, it may very well be true—as has been so frequently reported—that many employers have taken advantage of the absence of labor unions to decrease wage rates with or without the consent of the Labor Trustees. The terms of a decree issued on October 15, 1935 tend to confirm this suspicion. They authorize the Labor Trustees within their respective districts to suspend all or part of the wage schedules applicable to an individual enterprise, part of a concern or certain employees whenever such action is deemed justifiable on economic or social grounds. Such wage alterations, moreover, were excepted from the requirement of publication in the *Reichsarbeitsblatt*.<sup>39</sup>

TOTAL AND INDIVIDUAL INCOMES OF WORKERS  
AND EMPLOYEES\*

Year	Net		Average number employed	Individual income in marks
	Gross income from wages and salaries (in billion marks)	income after deducting de- cline in unem- ployment assistance		
1932	26.00	26.00	12,318,000	2077
1933	26.34	25.64	13,016,000	1970
1934	29.79	29.00	15,041,000	1928
1935	31.77	31.48	15,949,000	1973
1936	34.50	34.26	17,163,000	1990

\*Figures on labor income and the decline of unemployment assistance are taken from the weekly reports of the German Institute of Business Research for November 5, 1936 and February 24, 1937; statistics on employment from the weekly and quarterly reports of the same institution.

It would appear that employees have been working longer hours and at lower average pay than in 1932. Taking into account the increase in the working day, the aggregate number of hours worked daily by all employed persons seems to

37. *Völkischer Beobachter*, October 5, 1936. Earlier, at the Nürnberg party congress, the Fuehrer had set forth the National Socialist principle "that neither the wage nor the wage rate is of decisive importance, but rather the production and the share of it falling to every participant in the economic process." Cf. *ibid.*, September 10, 1936.

38. Cf. "Upswing without Prosperity?" cited; also *Germany's Economic Situation at the Turn of 1936-37*, cited, p. 37.

39. For the text of this decree, cf. *Reichsgesetzblatt*, Part I, 1935, p. 1240.

have risen from 85,117,380 in 1932 to 131,468,580 in 1936. This rise of about 54 per cent compares with an advance of only 34 per cent in total labor income. The working day is generally long. Inspections of 16,572 enterprises carried out by officials of the Labor Front revealed that only 2 per cent worked less than 40 hours a week on an average, while 12 per cent operated between 40 and 47 hours, 59 per cent 48 hours, and 27 per cent more than 48 hours.<sup>40</sup>

There are many indications that living standards of the working classes are extremely low. A very large number of people, for instance, are still aided by the Winter Relief Service despite the recovery in production and employment. In 1935-1936 the Winter Relief Service assisted 12,923,247 persons with donations of food, clothing, fuel, household goods and other articles to the total value of 365,829,717 marks;<sup>41-42</sup> and in the current year about 10,700,000 are reported to have received such help.<sup>43</sup> Several million people also received cards entitling them to buy margarine at reduced prices. In certain other respects the economic position of workers has deteriorated. The amount deducted from wages for taxes, social insurance, Winter Relief, Labor Front and many National Socialist funds and organizations probably represents about 25 per cent of average earnings. While the lack of statistics make comparison with the pre-Hitler period difficult, the total amount expended on taxes and contributions has without doubt substantially increased. At the same time, social insurance benefits have been reduced. Under an act of December 7, 1933 invalidity, old age and survivors' pensions of wage-earners and their families were curtailed by approximately 20 per cent, while those of salaried employees were cut from 9 to 15 per cent.<sup>44</sup> Complaints are also frequently made of the harsh administration of unemployment insurance funds. On the other hand, it should be mentioned that, under an act of July 5, 1934,<sup>45</sup> part of the cost of sickness and miners' pension insurance has been shifted from the shoulders of workers to those of employers. The latter now pay half of the insurance contributions, as against one-third and two-fifths formerly.

40. International Labor Office, *Industrial and Labor Information*, July 27, 1936.

41-42. In 1933-1934 the number assisted was 16,617,681. Cf. Deutscher Akademischer Austauschdienst, *News in Brief*, First June Issue, 1936; also *ibid.*, October 15, 1936.

43. *New York Herald Tribune*, April 17, 1937.

44. International Labor Office, *Industrial and Labor Information*, February 19, 1934, pp. 267-70, and February 26, 1934, pp. 295-98. The reductions in benefits were ordered with a view to rebuilding the assets of these social insurance funds.

45. *Reichsgesetzblatt*, Part I, 1934, p. 577.

#### REGIMENTATION OF LABOR

The economic freedom of the worker has been greatly restricted under the Hitler régime. The government has not only deprived workers of the right to bargain collectively and to strike, but has limited freedom of movement. A law of May 15, 1934<sup>46</sup> conferred on the president of the Reich Labor Office sweeping authority to prohibit the emigration of workers to districts of greater unemployment and the transfer of laborers from agricultural to commercial and industrial occupations. Decrees subsequently closed Berlin, Hamburg, Bremen and the Saar district to labor immigration; and made the employment of farm workers in a considerable number of non-agricultural occupations dependent on the consent of the local Labor Office.<sup>47</sup> The president of the Reich Office was also empowered by a law of February 26, 1935<sup>48</sup> to require dismissal of workers in commercial and industrial enterprises who had formerly been engaged in agriculture. Another law of August 10, 1934<sup>49</sup> even authorized him to take any measures necessary to bring about a proper distribution of labor forces in the nation's economic life. Under a decree issued to carry out this law about 130,000 workers under 25 years of age were compelled to surrender their jobs in industry to older men during the year ending October 1935, and were in turn enlisted in the Labor Service or employed as emergency "land helpers" on German farms.<sup>50</sup> Special measures have been taken to insure an adequate supply of metallurgical workers, who have been particularly in demand. In order to prevent employers from luring needed metal workers away from concerns in other communities, the consent of the Labor Office was required for the employment of persons who did not reside in the district where the enterprise was located.<sup>51</sup> A subsequent decree of February 11, 1937<sup>52</sup> even forbade metal workers to leave one job for another if the local Labor Office found that such action interfered with the success of tasks important to the state or national economy, impaired the efficiency of the enterprise or burdened unnecessarily the community concerned. On No-

46. *Ibid.*, p. 381.

47. Dr. Friedrich Syrup, *Arbeitseinsatz und Arbeitslosenhilfe in Deutschland* (Berlin, Otto Elsner Verlagsgesellschaft, 1936), pp. 92-94, and 100-101.

48. *Reichsgesetzblatt*, Part I, 1935, p. 310.

49. *Ibid.*, Part I, 1934, p. 786.

50. Syrup, *Arbeitseinsatz und Arbeitslosenhilfe in Deutschland*, cited, p. 108.

51. Cf. Order of December 29, 1934, *Reichs- und Staatsanzeiger*, 1935, No. 2.

52. *Reichs- und Staatsanzeiger*, 1937, No. 35.

vember 11, 1936 General Goering also issued an order<sup>53</sup> making building and metal workers employed on labor for which they had not been trained subject to instant dismissal if they refused to accept jobs for which their vocational training had qualified them. More recently—on March 23, 1937—he warned farm workers that attempts to leave the land would be treated as desertion.<sup>54</sup> Ultimately labor may become completely regimented. A law of February 26, 1935<sup>55</sup> has already made it compulsory for every employee earning less than 1000 marks a month to carry a "labor passport" (*Arbeitsbuch*), in which the vocational training and jobs he has had are recorded. These passports should facilitate the task of mobilizing labor in time of peace or war for any purpose which the government considers vital. Already employers in agriculture and in the metallurgical and building industries have been authorized to withhold labor passports from workmen or employees who leave their jobs in violation of the law or existing contracts.<sup>56</sup>

It must not be supposed, however, that the position of all workers has grown worse in the Third Reich. Those who were formerly unemployed find their condition definitely improved. Even some of those who had work throughout the depression have managed to increase their income. Moreover, the vast majority of workers feel more secure today, because they have been freed to a large extent from the haunting fear of losing their jobs. Nor should it be forgotten that the régime has brought them some compensation in addition to their regular earnings. Regulations of the Labor Trustees have required employers to grant longer vacations and more holidays with pay. The Labor Front has provided much in the way of "socialized leisure." Its "Strength through Joy" department has enabled millions of workers to attend theatres, concerts and other entertainments at low prices. It has provided sport facilities and educational opportunities for thousands more. In 1936 it enabled six million people to enjoy outings and vacation trips at exceptionally low cost. Some 150,000 even went on ocean cruises. The "Beauty of Work" division has helped considerably to improve working conditions by providing better restrooms, washrooms and sport fields, by beautifying factory grounds, etc.<sup>57</sup> The Labor

Front has also successfully pressed employers to spend larger amounts for the social welfare of their workers such as the provision of better housing, recreation facilities and the like.<sup>58</sup>

#### THE BALANCE SHEET

Conclusions concerning the development of economic and social conditions in the Third Reich are necessarily tentative. Not only are the available data incomplete, but the National Socialist régime is of too recent origin to permit a final judgment. There is little doubt that the monetary income of the German people as a whole has increased substantially during the past four years. Almost all classes—labor, agriculture and capital—have shared in this rise. Only two groups may be said to have suffered a loss in income: the Jews whose economic existence is being progressively undermined, and the middlemen who have suffered most from the price-fixing regulations of the National Socialist government. In general the improvement in national income has not brought about a corresponding rise in living standards. Absorption of the country's economy in public works and rearmament have put a serious limitation on the amount of goods available for consumption and led in many cases to a deterioration in the quality of these products. While there has always been enough to eat, the supply of many of the better foodstuffs has repeatedly been insufficient to meet the growing demand. Nevertheless, statistics on per capita consumption of goods and on savings seem to indicate some advance in well-being over the extremely low levels of 1932.

In limiting the material rewards of recovery the National Socialist government has demanded sacrifices from all classes. Even the farmers, who appeared to be especially favored in the first two years of the régime, have more recently seen the state employ its power to restrict further increases in agricultural prices and to impose delivery quotas for

druckerei, 1936); also Bruno Rauecker, *Social Policy in the New Germany* (Berlin, 1936), pp. 10-17.

58. To cite a few examples, voluntary expenditure on social welfare by the German Steel Trust amounted to 11.8 million marks in 1935-1936, as compared with only 8.7 million in 1933-1934; for the same purpose the Krupp concern spent 7.25 million in 1935-1936 as against 6.55 million the year before. Cf. Rawlins, *Economic Conditions in Germany to March 1936*, cited, p. 108; and *Völkischer Beobachter*, January 14, and March 6, 1937. Many National Socialists are still dissatisfied with the amounts spent by industry for welfare purposes. The new corporation law of January 26, 1937 stipulates that compensation paid to the management and board of directors in the form of salaries and profits must be in "reasonable proportion" to expenditure for labor and institutions serving the common good. Cf. "Das neue Aktienrecht," *Der Zeitspiegel*, February 11, 1937.

53. *Ibid.*, 1936, No. 262.

54. *New York Times*, March 24, 1937.

55. *Reichsgesetzblatt*, Part I, 1935, p. 311.

56. Cf. the decree of December 22, 1936, *Reichsanzeiger*, 1936, No. 229.

57. Cf. Horst Dressler-Andress, *Three Years of the National Socialist Community "Kraft durch Freude"* (Berlin, Reichs-

many farm commodities. Industry has experienced a rapid rise in profits, but a large part of the return on capital has been conscripted permanently or temporarily by the state for its own needs—rearmament and the erection of raw material producing plants. The revival of production has swollen the income of labor as a whole, although re-employment has taken place for the most part at rather low wage levels and often at the cost of those who have had work throughout the depression. The greatest sacrifices seem indeed to have been exacted from the working classes. In the face of a rising cost of living, which has affected food prices particularly, they have had to be content with stable, and in some cases even declining, wage rates. It would be incorrect to conclude, however, that the government has deliberately discriminated against labor in favor of capital. The experience of the last few years has demonstrated that the National Socialist régime has not hesitated to impose its will on all vested interests, whether those of agriculture, industry or labor. All have been at the beck and call of the state. If private ownership is still respected, it is primarily because the government does not believe nationalization necessary to give it control over the utilization of property.

The Germans appear to have borne these sacrifices with remarkably little opposition. The régime has been fairly successful in creating a sense of solidarity which has tended to make people to some extent oblivious of their individual economic interests. The government has made astute use of its control of all available means of propaganda to mobilize popular support for its measures. The widespread antagonism of the outside world to the Hitler régime has undoubtedly helped to consolidate the unity of the German people. Impressed with the apparent political and economic isolation of the Reich, most of them have willingly shouldered sacrifices to strengthen their country's international position. The government has successfully fostered the conviction that for-

eign nations begrudge Germany's right to exist and to claim its rightful place in the constellation of major powers. Rearmament has accordingly seemed essential to protect German sovereignty and secure respect for the Reich's just claims; and the achievement of greater economic self-sufficiency has appeared equally desirable in view of the obvious difficulty in obtaining foreign raw materials and the ostensible unwillingness of other countries to trade with Germany.

Despite this semblance of unity there have been frequent reports of growing discontent over the past few years. Foreign observers report much more grumbling than formerly. An increasing psychological and economic tension appears to have developed. People find it difficult to sustain sacrifices over a long period of time, and the longer they are asked to do so, the more they are inclined to inquire into the need of such burdens. Moreover, even the cleverest propaganda grows wearisome. That the Nazi régime has to some extent lost its hold on the masses is indicated by the frequency of government appeals and exhortations. Discontent is probably greatest among the working classes, where it has occasionally provoked spontaneous but scattered outbreaks of passive resistance. Fear of this dissatisfaction seems to have been responsible for the postponement of factory council elections two years in succession. In March 1936 council members were continued in office for one year, and in March of the current year their terms were once more extended. It would be erroneous to conclude, however, that the régime is in danger. Much of the grumbling does not take the form of opposition in principle; and by virtue of its comprehensive control over all activities the government is in a position to nip in the bud any organized movement of dissent. Moreover, should discontent grow more dangerous, the leaders of the Third Reich can always make certain concessions by relaxing the pace of rearmament or retarding the program for greater economic self-sufficiency.